

Navigators Guide to Standard Practice Indorsement for Banking Use
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Since UCC is law, and is superior choice of law; then an indorsement pursuant to UCC is the path to getting remedy. Below should be insightful for navigators currently egressing to status correction. It is in plain sight the woven sophistry of injustice that we have been subjected to since time immemorial. The tools to your waking are codified into a network of needless complication, which hopefully this document will provide some guidance, to assist the common goal.

This particular document is gauged at assisting readers in their acquisition of automobiles with the use of of "standard practice" indorsements. It provides the neccessary training and understandings, use of codes, use of law, for a smooth transaction that is paid in full for your procurement.

§ 5-102. Definitions.

(a) In this article:

- (1) "Adviser" means a person who, at the request of the issuer, a confirmer, or another adviser, notifies or requests another adviser to notify the beneficiary that a letter of credit has been issued, confirmed, or amended.
- (2) "Applicant" means a person at whose request or for whose account a letter of credit is issued. The term includes a person who requests an issuer to issue a letter of credit on behalf of another if the person making the request undertakes an obligation to reimburse the issuer.
- (3) "Beneficiary" means a person who under the terms of a letter of credit is entitled to have its complying presentation honored. The term includes a person to whom drawing rights have been transferred under a transferable letter of credit.
- (4) "Confirmer" means a nominated person who undertakes, at the request or with the consent of the issuer, to honor a presentation under a letter of credit issued by another.
- (5) "Dishonor" of a letter of credit means failure timely to honor or to take an interim action, such as acceptance of a draft, that may be required by the letter of credit.
- (6) "Document" means a draft or other demand, document of title, investment security, certificate, invoice, or other record, statement, or representation of fact, law, right, or opinion (i) which is presented in a written or other medium permitted by the letter of credit or, unless prohibited by the letter of credit, by the standard practice referred to in Section 5-108(e) and (ii) which is capable of being examined for compliance with the terms and conditions of the letter of credit. A document may not be oral.
- (7) "Good faith" means honesty in fact in the conduct or transaction concerned.
- (8) "Honor" of a letter of credit means performance of the issuer's undertaking in the letter of credit to pay or deliver an item of value. Unless the letter of credit otherwise provides, "honor" occurs (i) upon payment, (ii) if the letter of credit provides for acceptance, upon acceptance of a draft and, at maturity, its payment, or (iii) if the letter of credit provides for incurring a deferred obligation, upon incurring the obligation and, at maturity, its performance.

(9) "Issuer" means a bank or other person that issues a letter of credit, but does not include an individual who makes an engagement for personal, family, or household purposes.

(10) "Letter of credit" means a definite undertaking that satisfies the requirements of Section 5-104 by an issuer to a beneficiary at the request or for the account of an applicant or, in the case of a financial institution, to itself or for its own account, to honor a documentary presentation by payment or delivery of an item of value.

(11) "Nominated person" means a person whom the issuer (i) designates or authorizes to pay, accept, negotiate, or otherwise give value under a letter of credit and (ii) undertakes by agreement or custom and practice to reimburse.

(12) "Presentation" means delivery of a document to an issuer or nominated person for honor or giving of value under a letter of credit.

(13) **"Presenter" means a person** making a presentation as or on behalf of a beneficiary or nominated person.

(14) "Record" means information that is inscribed on a tangible medium, or that is stored in an electronic or other medium and is retrievable in perceivable form.

(15) "Successor of a beneficiary" means a person who succeeds to substantially all of the rights of a beneficiary by operation of law, including a corporation with or into which the beneficiary has been merged or consolidated, an administrator, executor, personal representative, trustee in bankruptcy, debtor in possession, liquidator, and receiver.

(b) Definitions in other Articles applying to this article and the sections in which they appear are:

"Accept" or "Acceptance" Section 3-409

"Value" Sections 3-303, 4-211

(c) Article 1 contains certain additional general definitions and principles of construction and interpretation applicable throughout this article.

§ 5-104. Formal Requirements.

A letter of credit, confirmation, advice, transfer, amendment, or cancellation may be issued in any form **that is a record and is authenticated (i) by a signature or (ii) in accordance with the agreement of the parties or the standard practice** referred to in **Section 5-108(e)**.

§ 5-108. Issuer's Rights and Obligations

(a) Except as otherwise provided in Section 5-109, **an issuer shall honor a presentation that, as determined by the standard practice** referred to in subsection (e), appears on its face strictly to comply with the terms and conditions of the letter of credit. Except as otherwise provided in Section 5-113 and unless otherwise agreed with the applicant, an issuer shall dishonor a presentation that does not appear so to comply.

(b) An issuer has a reasonable time after presentation, but not beyond the end of the seventh business day of the issuer after the day of its receipt of documents:

(1) to honor,

(2) if the letter of credit provides for honor to be completed more than seven business days after presentation, to accept a draft or incur a deferred obligation, or

(3) to give notice to the presenter of discrepancies in the presentation.

(c) Except as otherwise provided in subsection (d), an issuer is precluded from asserting as a basis for dishonor any discrepancy

if timely notice is not given, or any discrepancy not stated in the notice if timely notice is given.

(d) Failure to give the notice specified in subsection (b) or to mention fraud, forgery, or expiration in the notice does not preclude the issuer from asserting as a basis for dishonor fraud or forgery as described in Section 5-109(a) or expiration of the letter of credit before presentation.

(e) An issuer shall observe standard practice of financial institutions that regularly issue letters of credit. Determination of the issuer's observance of the standard practice is a matter of interpretation for the court. The court shall offer the parties a reasonable opportunity to present evidence of the standard practice.

(f) An issuer is not responsible for:

(1) the performance or nonperformance of the underlying contract, arrangement, or transaction,

(2) an act or omission of others, or

(3) observance or knowledge of the usage of a particular trade other than the standard practice referred to in subsection (e).

(g) If an undertaking constituting a letter of credit under Section 5-102(a)(10) contains nondocumentary conditions, an issuer shall disregard the nondocumentary conditions and treat them as if they were not stated.***

(h) An issuer that has dishonored a presentation shall return the documents or hold them at the disposal of, and send advice to that effect to, the presenter.

(i) An issuer that has honored a presentation as permitted or required by this article:

(1) is entitled to be reimbursed by the applicant in immediately available funds not later than the date of its payment of funds;

(2) takes the documents free of claims of the beneficiary or presenter;

(3) is precluded from asserting a right of recourse on a draft under Sections 3-414 and 3-415;

(4) except as otherwise provided in Sections 5-110 and 5-117, is precluded from restitution of money paid or other value given by mistake to the extent the mistake concerns discrepancies in the documents or tender which are apparent on the face of the presentation; and

(5) is discharged to the extent of its performance under the letter of credit unless the issuer honored a presentation in which a required signature of a beneficiary was forged.

Question to ChatGPT

"What is standard practice of financial institutions in high detail pertaining to indorsements?"

ChatGPT said:

The standard practice of financial institutions regarding indorsements follows well-established rules and

guidelines, particularly those set forth by the Uniform Commercial Code (UCC), specifically Article 3 (which governs negotiable instruments) and banking regulations. Below is a detailed exploration of the types of indorsements, how they are handled, and the processes financial institutions follow.

Types of Indorsements

Indorsements are signatures or instructions written on the back of a negotiable instrument, such as a check or promissory note, indicating the transfer of ownership, guaranteeing payment, or restricting its further transfer.

1. Blank Indorsement (UCC 3-205(a))

Definition: A blank indorsement occurs when the holder of a negotiable instrument signs their name on the back without specifying a new payee. Once indorsed in blank, the instrument becomes payable to bearer, meaning it can be negotiated simply by delivery.

Financial Institution's Practice:

Banks accept and process blank indorsements but exercise extra caution to verify the identity of the person presenting the instrument, especially for checks over a certain threshold.

Blank indorsements are often discouraged for customer protection since they increase the risk of theft or misappropriation.

2. Special Indorsement (UCC 3-205(b))

Definition: A special indorsement specifies the person to whom the instrument is payable. For example, **"Pay to the order of [specific person's name],"** followed by the indorser's signature.

Financial Institution's Practice:

The bank will verify that the indorsement matches the intended payee and that the payee has presented valid identification.

The transfer of the instrument is only valid to the individual named in the indorsement, which provides a higher level of security for the transaction.

3. Restrictive Indorsement (UCC 3-206)

Definition: A restrictive indorsement limits how the instrument can be used. Common examples include **"For Deposit Only"** or **"Pay to [specific bank] for deposit to account of [account holder]"**.

Financial Institution's Practice:

Banks closely adhere to the restrictions placed on the instrument. A "For Deposit Only" check, for instance, can only be deposited into the account of the person or entity named on the check.

Electronic processing systems used by financial institutions typically recognize and enforce these restrictions.

Such indorsements offer enhanced security, as they prevent further negotiation or misuse.

4. Qualified Indorsement (UCC 3-415(b))

Definition: A qualified indorsement limits the liability of the indorser. This type of indorsement typically includes the phrase **"without recourse,"** indicating that the indorser does not guarantee payment if the instrument is dishonored.

Financial Institution's Practice:

Financial institutions accept these indorsements but understand that the indorser is not liable for the check being dishonored.

These indorsements are common in business transactions where an entity may pass a check or note without assuming liability for its payment.

5. Conditional Indorsement (UCC 3-206(b))

Definition: A conditional indorsement imposes a condition that must be satisfied before the payment is valid (e.g., **"Pay to John Doe if he completes X work by a certain date"**).

Financial Institution's Practice:

While UCC 3-206(b) states that the condition in a conditional indorsement does not affect the payor's obligations to make payment, banks typically do not monitor or enforce conditions attached to indorsements.

If an issue arises due to a conditional indorsement, it is usually handled through private litigation rather than by the bank.

Process for Handling Indorsements

1. Verification of Identity

Financial institutions, particularly banks, have standard procedures for verifying the identity of the person presenting an instrument for deposit or cashing.

For blank or special indorsements, the bank ensures that the person presenting the check is the rightful payee or bearer.

Banks use a variety of methods to verify identity, including government-issued IDs, account verification, or digital security measures.

2. Indorsement Examination for Negotiability

A negotiable instrument must meet certain requirements under UCC Article 3 to be considered valid for indorsement. Banks inspect each instrument to ensure that:

The indorsement matches the payee listed.

Any restrictive or conditional terms are honored.

The signature is consistent with the account holder's authorized signatories.

Instruments with incorrect or missing indorsements may be rejected or returned to the customer for correction.

3. Deposit Processing

Most financial institutions now use automated scanning and processing systems to capture and verify indorsements on checks and other instruments.

For Deposit Only checks are processed directly into the payee's account without further negotiation.

Electronic processing also allows for image retention of the indorsement for recordkeeping and audit purposes.

4. Holder in Due Course (UCC 3-302)

When a bank accepts an instrument for deposit or payment, it often becomes a holder in due course. This means the bank is protected from certain defenses or claims that could be raised against the previous holder of the instrument, provided the bank took the instrument:

In good faith,

For value (e.g., cashing or depositing the check),

Without notice of any problems (e.g., that the check was forged, altered, or subject to other claims).

As a holder in due course, the bank may be shielded from claims that could affect the validity of the indorsement.

5. Fraud Detection and Security Measures

Financial institutions implement advanced fraud detection systems to identify suspicious activity, including forged indorsements, duplicate deposits, or altered instruments.

Banks use machine learning algorithms, signature verification software, and manual audits to ensure indorsements are legitimate.

Suspected fraud or forgery typically results in the freezing of the funds and an investigation that may involve law enforcement or other legal actions.

Special Indorsement Scenarios

1. Multiple Payees (UCC 3-110)

Instruments made payable to multiple payees can create complications in indorsement practices. If the payees are listed with the conjunction **“and,”** all payees must indorse the instrument. If listed with **“or,”** only one payee’s indorsement is needed.

Banks ensure that multiple indorsements are valid by checking signatures against account records and, in some cases, requiring in-person validation.

2. Third-Party Indorsements

Third-party indorsements involve one payee signing over a check to another person (e.g., “Pay to the order of Jane Doe,” signed by the original payee). These are allowed but handled with extreme caution by financial institutions, as they increase the risk of fraud or misuse.

Most banks have specific policies restricting or disallowing the acceptance of third-party checks, or they require extensive identity verification.

Legal and Compliance Considerations

1. Uniform Commercial Code (UCC) Compliance

Banks adhere to UCC regulations that govern the handling of negotiable instruments and indorsements. This ensures that transactions are legal, binding, and enforceable under the UCC framework.

2. Federal Reserve and NACHA Guidelines

Financial institutions must also comply with Federal Reserve and NACHA (National Automated Clearing House Association) rules governing check processing and electronic funds transfers.

These rules dictate how indorsements must be handled, particularly in electronic check processing environments.

3. Bank Policies and Procedures

Each financial institution may have its own internal policies related to indorsements. For example, some banks may require that large checks or checks over a certain threshold undergo additional review before funds are made available.

Banks also establish timeframes for when indorsed checks can be deposited, cashed, or returned due to irregularities.

Conclusion

The standard practice of financial institutions regarding indorsements involves a combination of legal compliance with the UCC and internal procedures designed to ensure the authenticity and validity of each transaction. Indorsements are carefully scrutinized for identity verification, negotiability, and adherence to restrictive terms, with institutions leveraging technology for efficiency and fraud prevention. Ultimately, financial institutions aim to balance the need for security with customer convenience in processing indorsed negotiable instruments.

Question:

"...then P.L. 95-147 rendered its predecessor, HJR 192, moot for the reason that there no longer exists any currency or instruments that had any backing at all except on the law itself; that law is contract law under the UCC."

ChatGPT

The statement you're referring to involves the relationship between Public Law 95-147 and House Joint Resolution 192 (HJR 192), as well as their impact on currency and contract law under the Uniform Commercial Code (UCC).

1. HJR 192 (1933)

Passed in 1933 during the Great Depression, HJR 192 suspended the obligation for Americans to pay debts in gold. The resolution declared that contracts requiring payment in gold or gold-backed currency were void, effectively taking the U.S. off the gold standard for domestic obligations. This was necessary because the U.S. government had confiscated gold from private citizens in exchange for paper currency to stabilize the economy.

The core idea of HJR 192 was that individuals could no longer demand payment in gold, and debts could be settled using fiat currency (paper money not backed by a physical commodity like gold).

2. Public Law 95-147 (1977)

In 1977, P.L. 95-147 further removed restrictions on the U.S. Treasury's ability to hold gold. This law amended the Par Value Modification Act and allowed the Secretary of the Treasury to buy, sell, or deal in gold as part of its financial operations.

This law also clarified that the U.S. dollar, as a fiat currency, was no longer backed by gold or silver but rather by the full faith and credit of the U.S. government. This shift meant that the value of U.S. currency relied on legal frameworks, particularly contract law under the UCC, rather than a physical commodity like gold.

3. Implication of P.L. 95-147 Rendering HJR 192 Moot

With the removal of gold backing from U.S. currency through both HJR 192 and subsequent acts like P.L. 95-147, the obligation to pay in gold or gold-backed instruments became irrelevant. Since there were no longer any physical commodities backing the currency, all financial transactions and instruments, including contracts, became governed purely by fiat currency.

As a result, contract law, specifically under the UCC, became the primary legal framework governing these transactions. The UCC is the set of laws that standardize commercial transactions in the U.S., covering areas like sales, negotiable instruments, and secured transactions. Essentially, legal

agreements and contracts under the UCC replaced the need for physical backing like gold, as all monetary obligations are now settled in fiat currency.

Summary:

HJR 192 was originally passed to address the gold standard's suspension, but by the time P.L. 95-147 was enacted, it became unnecessary because the U.S. currency system no longer involved any backing by gold or silver. As a result, contract law under the UCC became the governing framework for all financial and commercial transactions, based purely on the legal enforceability of agreements rather than physical currency backing.

This progression reflects the full transition of U.S. currency to a fiat system that relies on legal constructs like contracts, rather than physical commodities like gold or silver.

(g) If an undertaking constituting a letter of credit under Section 5-102(a)(10) contains nondocumentary conditions, an issuer shall disregard the nondocumentary conditions and treat them as if they were not stated.

ChatGPT said:

ChatGPT

The provision you are referring to is from UCC § 5-108(g), which relates to letters of credit under UCC Article 5. Here's a simplified breakdown of its meaning:

Key Points:

Nondocumentary Conditions: In the context of a letter of credit, a nondocumentary condition refers to a requirement or condition **that is not evidenced or proved by documents (such as certificates, bills of lading, or invoices) submitted as part of the transaction.**

Issuer's Obligation: If a letter of credit includes nondocumentary conditions, the issuer (usually a bank) is required to disregard those conditions. The issuer treats them as though they were not stated in the letter of credit. Essentially, the issuer only needs to concern itself with the documentary conditions and verify compliance based on the documents presented.

Purpose: This rule ensures clarity and fairness in the processing of letters of credit by making sure that only documentary conditions are enforceable. It prevents issuers from refusing payment based on ambiguous or non-objective conditions that cannot be verified through documentation.

Example:

If a letter of credit states that payment is conditional on "the buyer's satisfaction with the goods" (a nondocumentary condition), the bank is not required to verify this subjective satisfaction. Instead, the bank only needs to ensure that the required documents (such as a bill of lading or invoice) are presented in compliance with the letter of credit's terms.

This rule promotes efficiency and reliability in commercial transactions by making sure letters of credit are honored based on objective, verifiable documents, not subjective conditions or vague requirements.

Dealer Interaction Hypothetical Scenario

Dealer: We can't accept your signature indorsement.

You: No problem, you know the procedure for denial, I will be filing OMB No. 1505-0164 REPORT ON BLOCKED PROPERTY – FINANCIAL* (Use of this form is optional, but the information requested is required by 31 C.F.R. § 501.603)

UNITED STATES DEPARTMENT OF THE TREASURY OFFICE OF FOREIGN ASSETS CONTROL

Once I file, the funds are guaranteed, and I, the holder in due course will have perfection and you will bear the liability and punishment of the UCC 5-111 (b)(c)(d)(e)(f)

18 U.S. Code § 1581 - Peonage; obstructing enforcement

(a) Whoever holds or returns any person to a condition of peonage, or arrests any person with the intent of placing him in or returning him to a condition of peonage, shall be fined under this title or imprisoned not more than 20 years, or both. If death results from the violation of this section, or if the violation includes kidnapping or an attempt to kidnap, aggravated sexual abuse or the attempt to commit aggravated sexual abuse, or an attempt to kill, the defendant shall be fined under this title or imprisoned for any term of years or life, or both.

Peonage = A system by which debtors are bound in servitude to their creditors until their debts are paid.

By denying my indorsement they are returning me to peonage, and are liable under 18 U.S. Code § 1581

For your reference here is the UCC1 already filed with the automobile vin in the collateral. The paperwork is done and executed and you are now holding assets from holder in due course.

UCC § 5-111. Remedies for applicants on wrongful dishonor of credit by issuer (bank)

(a) If an issuer wrongfully dishonors or repudiates its obligation to pay money under a letter of credit before presentation, the beneficiary, successor, or nominated person presenting on its own behalf may recover from the issuer the amount that is the subject of the dishonor or repudiation. If the issuer's obligation under the letter of credit is not for the payment of money, the claimant may obtain specific performance or, at the claimant's election, recover an amount equal to the value of performance from the issuer. In either case, the claimant may also recover incidental but not consequential damages. The claimant is not obligated to take action to avoid damages that might be due from the issuer under this subsection. If, although not obligated to do so, the claimant avoids damages, the claimant's recovery from the issuer must be reduced by the amount of damages avoided. The issuer has the burden of proving the amount of damages avoided. In the case of repudiation the claimant need not present any document.

(b) If an issuer wrongfully dishonors a draft or demand presented under a letter of credit or honors a draft or demand in breach of its obligation to the applicant, the applicant may recover damages resulting from the breach, including incidental but not consequential damages, less any amount saved as a result of the breach.

(c) If an adviser or nominated person other than a confirmer breaches an obligation under this article or an issuer breaches an obligation not covered in subsection (a) or (b), a person to whom the obligation is owed may recover damages resulting from the breach, including incidental but not consequential

damages, less any amount saved as a result of the breach. To the extent of the confirmation, a confirmer has the liability of an issuer specified in this subsection and subsections (a) and (b).

(d) An issuer, nominated person, or adviser who is found liable under subsection (a), (b), or (c) shall pay interest on the amount owed thereunder from the date of wrongful dishonor or other appropriate date.

(e) Reasonable attorney's fees and other expenses of litigation must be awarded to the prevailing party in an action in which a remedy is sought under this article.

(f) Damages that would otherwise be payable by a party for breach of an obligation under this article may be liquidated by agreement or undertaking, but only in an amount or by a formula that is reasonable in light of the harm anticipated.

The good news if they honor the draft; they get paid on the same day per **UCC 5-108 (i)(1)**

(i) An issuer that has honored a presentation as permitted or required by this article:

(1) is entitled to be reimbursed by the applicant in immediately available funds not later than the date of its payment of funds;

Its win win. They get paid, dealer gets paid, you get paid, and a new paid off car with title.

And no indian giving either; under **UCC 5-108 (i) (3)**

(3) is precluded from asserting a right of recourse on a draft under Sections 3-414 and 3-415;

IS PREVENTED FROM ASSERTING ANY RIGHTS TO RECOURSE!

Dealer: We need a down payment!

You: That sounds like an advertisement, and since were on record you just committed a crime per;

15 U.S. Code § 1662(2) - Advertising of downpayments and installments

No advertisement to aid, promote, or assist directly or indirectly any extension of consumer credit may state

(1) that a specific periodic consumer credit amount or installment amount can be arranged, unless the creditor usually and customarily arranges credit payments or installments for that period and in that amount. [Talk about low monthly payments from that ad, which was violation of this law!]

(2) that a specified downpayment is required in connection with any extension of consumer credit, unless the creditor usually and customarily arranges downpayments in that amount.

(You are the creditor, do you want to pay a down payment then yes, if not, then no! End of debate)
My signature creates the draft, I am the creditor and the payee! Perfectly legal.

1. A bill of exchange is an unconditional written order addressed by A to B, directing him to pay a sum of money, named therein, to C.

In this case, A (who is called the *drawer* of the bill) is said to draw upon B, who is, therefore, called the drawee; and C, the person to whom the money is to be paid, is on that account called the *payee*.

The drawer may be himself the payee, and he may direct B to pay him simply, (as by the words "*pay to me*,") or to pay to him or his order, (as by the words "*pay to me or my order*.") [See Appendix—Forms.]

The drawer having written this order, it should be presented to the drawee to receive his assent. If the drawee assents to it, he (in this country) testifies such assent by writing his name across it (see the forms above referred to), which is called accepting the bill or draft, after which the drawee is called the *acceptor*. If he refuses to accept, he is said to *dishonor* the draft or bill by non-acceptance.

When a person, in order to transfer his interest in a bill, writes his name on the back, he is called an *indorser*, and the person to whom his rights are so transferred is called an *indorsee*. Bills are often indorsed when the interest in them would pass without such indorsement, but in many cases it is necessary to indorse a bill in order to pass an interest therein; as if the bill be pay-

Your endorsement takes their "instrument" and turns it into a check pursuant to UCC 3-104 (f)

(f) "Check" means (i) a draft, other than a documentary draft, payable on demand and drawn on a bank or (ii) a cashier's check or teller's check. **An instrument may be a check even though it is described on its face by another term,** such as "money order."

Guarantor: _____

Credits RELEASED
For the settlement of the following Charges: _____
Dated: _____
By: _____ authorized Representative
This DEBT Stands as "PAID IN FULL"
per the LAW - UCC Section 5-108.
You have 5 Banking Days to complete the Settlement

ACKNOWLEDGEMENT OF and ENDORSEMENT:

This Bill is acknowledged as a Foreign Commercial "BILL OF CREDIT" for the
CONTRACTOR'S Credit monetary obligation from your "UCC Contract Trust"

for the assigned Value of \$ _____.
And per the UCC laws, it is Endorsed and Returned for SET-OFF and
payment SETTLEMENT against the noted Foreign Commercial Construction
Contract# _____ from the required Contractors Surety
"Performance" Bond and/or "Payment" Labor Bond OR BOTH; together they are
listed and traded as a Fidelity Bond. The IRS requires a 1099C be filed by the
UCC Contractor to show the Commercial UCC National Debt has been CANCELLED.
After 3 days, this Action comes under Title 15 USC Section 1:
as a charge to the IRS/CID.

Dated _____
UCC Owner signed and sealed for: _____

The Shadow UCC Employee: _____

